

Cautious Babus Stall Govt IT Projects

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The fear of being hauled up by anti-corruption sleuths has brought government decision making on investments in the information technology sector to a crawl, holding up some key projects that could alter the lives of citizens for the better.

In the face of discouraging global cues, many Indian IT companies were depending on demand from the Rs 1,10,000-crore domestic IT market to tide over the ongoing economic slowdown, but with government authorities choking on decisions, projects worth at least ₹10,000 crore have been held up.

"Everyone is cautious," said Navin Agarwal, executive director of e-governance advisory at consultancy KPMG. "Senior officials prefer to double check before they sign and approve large projects."

The list of projects delayed for at least six months includes the automation of employment exchanges, computerising the public distribution system and an ambitious plan to deliver citizen services through the web, according to industry insiders. In fiscal 2011, the government had spent ₹20,400 crore, according to industry body Nasscom.

"The short-term outlook on Indian government IT spending is cautious," said Manish Bahl, director and senior analyst at market research firm For-

Under the Red Tape

Project	Status
PDS automation ₹1,500-3,000 crore	Announced a year back, no word on it till date
Automation of employment exchanges under the Labour Ministry ₹1,500-3,000 crore	Announced a year back, no news until now
IT initiatives by the Cell for Panchayati Raj Institutions (CPRI) ₹2,000-4,000 crore	Roll-out was expected 6 months back, stalled as of now
E-district services by the Ministry of IT ₹1,500-3,000 crore	Stuck in the pipeline after pilot projects were conducted



rester Research. The absence of a chief information officer for the government and the inability of the IT department to push a centralised vision has hurt IT initiatives, he said.

Even those who managed to bag government IT contracts are complaining about the non-payment of dues. At least two senior executives at top IT firms said vendors who had won multi-crore IT deals from the India's Unique Identification Authority were yet to receive their payments.

Hardware company HCL Infosystems recently won a UID contract worth at least ₹2,500 crore for managing identity records, but the govern-

ment hemmed and hawed for almost a year before awarding it.

"Decisions are at a standstill. Business from the government for the IT industry has completely declined since last year," said Rothin Bhattacharya, executive vice-president at HCL Infosystems, which posted an 82% drop in net profits for the quarter ended June 30. The delay is hurting firms involved in government IT projects like HCL, Rothin said.

A spate of corruption allegations and the Comptroller and Auditor General's brutal criticism of the government's handling of the 2G spectrum and coal block allocations have forced

bureaucrats to be extra careful before signing on projects where large amounts of money are involved.

"No one wants to take the risk of being the first one to initiate decisions," said a senior government official in the IT department on condition of anonymity. "Officials in ministry of finance have also become very cautious in sanctioning funds for even existing projects."

The country's second-largest software exporter Infosys had to wait for a long time before winning a ₹700-crore contract for modernising the country's postal department. "It took over six months to sign the contract and that's the kind of slowdown we are seeing," said CN Raghupathi, India business head, Infosys. He pointed out that delays in decision-making and execution by the government are a reality and could result in the slowing down of the domestic IT business.

Anurag Mehrotra, head of client relationship group at Wipro Infotech, also admitted that Wipro's India business could take a hit if the policy inaction and slow execution continued. The India business contributes about 8% to Wipro's overall IT services revenue. But Forrester Research's Bahl was confident that, despite the challenges, increasing citizen's expectations will lead to higher public sector in IT. The allocation for e-governance projects in the 2012-2013 Budget rose 210% to \$192 million (₹1,000 crore). It remains to be seen how much will be actually spent.